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IFRS 9 Amendment - Symmetric Prepayment Options - Towards a draft comment letter Cover Note

Objective

- 1 The objective of the session is to:
 - (a) discuss an issues paper on the forthcoming narrow-scope amendment to IFRS 9 *Financial Instruments* related to symmetric prepayment options and obtain EFRAG TEG members' views on these issues; and
 - (b) discuss an initial draft comment letter on the forthcoming exposure draft, which is expected to be issued by the IASB in April 2017 (the 'ED'). The EFRAG Secretariat drafted the initial draft comment letter based on the information that is publicly available and based on the EFRAG Secretariat's understanding of the expected content of the ED.

Background

- 2 At its January 2017 meeting, the IASB tentatively decided to propose a narrow-scope amendment to IFRS 9 so that a financial asset with a symmetric prepayment option would be eligible to be measured at amortised cost, or at fair value through other comprehensive income ('FVOCI') (subject to the business model condition) if the following conditions are met:
 - (a) the financial asset would otherwise meet the requirements in paragraph B4.1.11 (b) of IFRS 9, but does not meet them, only as a result of the symmetric nature of the prepayment option; and
 - (b) at the initial recognition of the financial asset, the fair value of the symmetric prepayment option is insignificant.
- 3 The IASB expects to issue the ED in April 2017, with a comment period of 30 days. When the IASB issues the ED, the EFRAG Secretariat will bring an updated draft comment letter to EFRAG TEG (through conference call in April) and will ask EFRAG TEG to recommend it to the EFRAG Board.

Question for EFRAG TEG

- 4 Does EFRAG TEG agree with the drafting of the initial draft comment letter?

Agenda Papers

- 5 In addition to this cover note, agenda papers for this session are:

*IFRS 9 Amendment Symmetric Prepayment Options – Towards a draft comment letter –
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- (a) *Agenda paper 11-02 Issues paper on Symmetric Prepayment Options TEG 17-03-29; and*
- (b) *Agenda paper 11-03 Draft comment letter on IFRS 9 Amendment Symmetric Prepayment Options TEG 17-03-29.*